

Town of Gilbert System Development Fee Annual Report

FY 2020-2021



September 2021

UNAUDITED*

* Audited financial statements will be available through the Town of Gilbert Accounting Division.

Table of Contents

BACKGROUND	1
System Development Fees (SDFs)	1
Authorization and Purpose	1
Annual Reporting Requirements.....	1
AMOUNT ASSESSED FOR EACH TYPE OF DEVELOPMENT FEE	3
General SDFs	3
Utility SDFs	3
BEGINNING/ENDING FUND BALANCE FOR EACH DEVELOPMENT FEE.....	4
INTEREST EARNINGS ON FUND BALANCES FOR EACH DEVELOPMENT FEE.....	4
DEVELOPMENT FEES USED TO REPAY BONDS ISSUED.....	5
DEVELOPMENT FEES USED TO REPAY INTERNAL BORROWING	5
DEBT SERVICE REPAYMENT SCHEDULE.....	6
Police Protection System Development Fee.....	6
Fire System Development Fee	6
General Government System Development Fee	6
Parks and Recreation System Development Fee	6
Water System Development Fee.....	6
Greenfield Service Area – Wastewater System Development Fee	6
DEVELOPMENT FEES EXPENDED ON EACH CAPITAL IMPROVEMENT PROJECT	7
Police Protection System Development Fee.....	7
Fire System Development Fee	7
General Government Development Fee	7
Parks and Recreation System Development Fee	7
Traffic Signal System Development Fee.....	8
Road Maintenance System Development Fee.....	8
Water System Development Fee.....	8
Water Resources System Development Fee	9
Neely Service Area – Wastewater System Development Fee	9
Greenfield Service Area – Wastewater System Development Fee	9
DEVELOPMENT FEE FUND RECAPS	10
Police Protection System Development Fee.....	10
Fire System Development Fee	10
General Government System Development Fee	10
Parks and Recreation System Development Fee	11
Traffic Signal System Development Fee.....	11

Town of Gilbert
System Development Fee Annual Report

FY 2020-21

Road Maintenance System Development Fee.....	11
Water System Development Fee.....	12
Water Resources System Development Fee	12
Neely Service Area – Wastewater System Development Fee	12
Greenfield Service Area – Wastewater System Development Fee	13
ADDITIONAL RESOURCES	14

BACKGROUND

System Development Fees (SDFs)

The Town of Gilbert, in an effort to ensure that the growth driven capital and infrastructure needs are funded by growth, adopted comprehensive System Development Fees (SDFs) in 1997. The fees are collected at the time a building permit is issued for residential, commercial and other non-residential development. The Town assesses two categories of SDFs - General and Utility.

Most SDFs are calculated on a uniform basis for all new development. Growth-related projects are considered as increases in current system capacity rather than as specific improvements for any particular geographic location within Gilbert. The only exception is wastewater which is broken out into two service areas: Neely and Greenfield. These service areas have unique costs of service and the SDFs are calculated independently for the two service areas to account for this.

Authorization and Purpose

Arizona Revised Statutes Section 9-463.05 authorizes SDFs to fund capital improvements only and SDFs may not be used to fund operating expenses. As an example, the cost to construct and equip a fire station may be funded with SDFs. Firefighting staff assigned to that station may not be funded with SDFs. The amount of the SDF must bear a reasonable relationship to the burden imposed upon the municipality to provide additional necessary public services to the development.

SDFs are calculated based on the Infrastructure Improvement Plan and the annual Capital Improvement Plan. In some cases, depending on the timing and financial requirements of each project, borrowing may also be required. In those cases, all of the borrowing and project costs are included in the amount to be funded through SDFs. In other words, projects that cannot be funded through the revenues generated by new construction permit activity, on a pay as you go basis, are also funded through borrowing. Projects in this category have traditionally been larger projects, such as expansions of the Water and Wastewater Treatment Plants and construction of the Public Safety Complex.

Annual Reporting Requirements

Legislation adopted and signed into law in 2005 and amended in 2011, requires an annual report be prepared to account for the collection and use of development fees. The report is prepared on a cash basis. The report is due within 90 days of the end of each fiscal year and is required to be maintained in the Town Clerk's Office. For the FY 2020-21 reporting period the report is required to be on file by September 28, 2021. The information provided in this report includes development fee revenues and expenses for FY 2020-21; other than the beginning fund balance, the report does not include any inception-to-date detail.

The law also allows for the report to contain financial information that has not yet been audited since the reporting deadline will occur before the annual audit is completed.

The statute was amended by the 2011 Legislature. As amended, A.R.S. §9-463.05(N) provides:

N. Each municipality that assesses development fees shall submit an annual report accounting for the collection and use of the fees for each service area. The annual report shall include the following:

1. The amount assessed by the municipality for each type of system development fee

2. The balance of each fund maintained for each type of system development fee assessed as of the beginning and end of the fiscal year
3. The amount of interest or other earnings on the monies in each fund as of the end of the fiscal year
4. The amount of development fee monies used to repay:
 - (a) Bonds issued by the municipality to pay the cost of a capital improvement project that is the subject of a system development fee assessment, including the amount needed to repay the debt service obligations on each facility for which development fees have been identified as the source of funding and the time frames in which the debt service will be repaid
 - (b) Monies advanced by the municipality from funds other than the funds established for system development fees in order to pay the cost of a capital improvement project that is the subject of a system development fee assessment, the total amount advanced by the municipality for each facility, the source of the monies advanced and the terms under which the monies will be repaid to the municipality
5. The amount of development fee monies spent on each capital improvement project that is the subject of a system development fee assessment and the physical location of each capital improvement project
6. The amount of system development fee monies spent for each purpose other than a capital improvement project that is the subject of a system development fee assessment

A.R.S. § 9-463.05(O) provides:

O. Within ninety days following the end of each fiscal year, each municipality shall submit a copy of the annual report to the city clerk and post the report on the municipality's website. Copies shall be made available to the public on request. The annual report may contain financial information that has not been audited.

A.R.S. § 9-463.05(P) provides:

P. A municipality that fails to file the report and post the report on the municipality's website as required by this section shall not collect development fees until the report is filed and posted.

AMOUNT ASSESSED FOR EACH TYPE OF DEVELOPMENT FEE

The information that follows is a summary of the amount assessed for each type of development fee. The System Development Fees were approved by Council on April 18, 2019 with an effective date of July 8, 2019.

General System Development Fees:

	Police	Fire	General Government	Parks and Recreation	Traffic Signals	Roads
<i>Residential (per housing unit)</i>						
Single Unit	\$ 435.00	\$ 935.00	\$ 1,002.00	\$ 5,167.00	\$ 556.00	\$ 1,716.00
2+ Units per Structure	\$ 283.00	\$ 607.00	\$ 651.00	\$ 3,358.00	\$ 431.00	\$ 1,330.00
<i>Non-Residential (per sq ft of building)</i>						
Industrial	\$ 0.437	\$ 0.481	\$ 0.430	\$ 0.770	\$ 0.231	\$ 0.565
Commercial	\$ 0.629	\$ 0.693	\$ 0.610	\$ 1.109	\$ 1.165	\$ 2.374
Office and Other Services	\$ 0.797	\$ 0.878	\$ 0.780	\$ 1.405	\$ 0.455	\$ 1.110

Utility System Development Fees: *

Neely Service Area

<i>All Development (by water meter size)</i>			
Meter Size (inches)	Water	Water Resources	Wastewater
0.75	\$ 3,609	\$ 3,112	\$ 157
1.00	\$ 6,027	\$ 5,197	\$ 262
1.50	\$ 12,019	\$ 10,364	\$ 522
2.00	\$ 19,239	\$ 16,589	\$ 834

Greenfield Service Area

<i>All Development (by water meter size)</i>			
Meter Size (inches)	Water	Water Resources	Wastewater
0.75	\$ 3,609	\$ 3,112	\$ 2,586
1.00	\$ 6,027	\$ 5,197	\$ 4,318
1.50	\$ 12,019	\$ 10,364	\$ 8,610
2.00	\$ 19,239	\$ 16,589	\$ 13,780

*The report dated March 14, 2019 prepared by Raftelis entitled "Land Use Assumptions and Infrastructure Improvement Plan Study" defines the relevant service areas.

BEGINNING/ENDING FUND BALANCE FOR EACH DEVELOPMENT FEE

	Beginning Balance 7/1/2020	Ending Balance 6/30/2021	
Police Protection	\$ 1,926,760	\$ 1,827,304	
Fire Protection	\$ (8,065,099)	\$ (5,600,885)	A
General Government	\$ (5,216,281)	\$ (3,461,009)	B
Parks and Recreation	\$ 13,612,640	\$ 25,880,623	
Traffic Signals	\$ 12,372,244	\$ 13,077,671	
Roads	\$ 1,486,377	\$ 9,054,497	
Water System	\$ 405,310	\$ (1,244,073)	
Water Resources	\$ (25,334,816)	\$ (19,536,352)	C
Neely Service Area - WW SDF	\$ 5,682,923	\$ 3,849,551	
Greenfield Service Area - WW SDF	\$ 18,193,603	\$ 18,660,034	

- A. The negative balance in the Fire Protection SDF Fund is supported by an internal loan from the General Fund.
- B. The negative balance in the General Government SDF Fund is supported by an internal load from the General Fund.
- C. The negative balance in the Water Resources SDF Fund is supported by an internal loan from the Water Replacement Fund.

INTEREST EARNINGS ON FUND BALANCES FOR EACH DEVELOPMENT FEE

	Interest Earnings
Police Protection	\$ 41,541
Fire Protection	\$ -
General Government	\$ -
Parks and Recreation	\$ 283,548
Traffic Signals	\$ 177,670
Roads	\$ 65,397
Water System	\$ 43,186
Water Resources	\$ -
Neely Service Area - WW SDF	\$ 77,138
Greenfield Service Area - WW SDF	\$ 295,886

DEVELOPMENT FEES USED TO REPAY BONDS ISSUED

	Total Payments
Police Protection	\$ 2,663,552
Fire Protection	\$ 641,193
General Government	\$ 2,327,938
Parks and Recreation	\$ 5,171,562
Traffic Signals	\$ -
Roads	\$ -
Water System	\$ 9,821,913
Water Resources	\$ -
Neely Service Area - WW SDF	\$ -
Greenfield Service Area - WW SDF	\$ 3,620,496

DEVELOPMENT FEES USED TO REPAY INTERNAL BORROWING

This section relates to development fees where there is a negative cash balance due to funds being expended in advance of collections. Revenues are borrowed from other cash the Town has available and interest is charged to the system development fee accounts.

	Total Payments	Repayment Made To	Terms
Police Protection	\$ -		
Fire Protection	\$ 84,207	General Fund	Annual Interest
General Government	\$ 53,468	General Fund	Annual Interest
Parks and Recreation	\$ -		
Traffic Signals	\$ -		
Roads	\$ -		
Water System	\$ 5,101	Water Replacement Fund	Annual Interest
Water Resources	\$ 276,487	Water Replacement Fund	Annual Interest
Neely Service Area - WW SDF	\$ -		
Greenfield Service Area - WW SDF	\$ -		

DEBT SERVICE REPAYMENT SCHEDULE

Police Protection	Police Protection Portion of Debt Service - Principal and Interest	Last Payment
2017 PFMP	\$ 323,296	FY 2027
2014 PFMP	\$ 1,232,640	FY 2021
2011 PFMP	\$ 1,377,457	FY 2021
Total	\$ 2,933,393	

Fire Protection	Fire Protection Portion of Debt Service - Principal and Interest	Last Payment
2017 PFMP	\$ 7,895,300	FY 2027
2017 PFMP	\$ 2,905,549	FY 2027
2011 PFMP	\$ 167,768	FY 2021
Total	\$ 10,968,617	

General Government	General Government Portion of Debt Service - Principal and Interest	Last Payment
2014 PFMP	\$ 1,758,868	FY 2021
2011 PFMP	\$ 568,520	FY 2021
Total	\$ 2,327,388	

Parks and Recreation	Parks and Recreation Portion of Debt Service - Principal and Interest	Last Payment
2017 PFMP	\$ 20,394,441	2027
2014 PFMP	\$ 1,848,683	2021
Total	\$ 22,243,124	

Water System	Water System Portion of Debt Service - Principal and Interest	Last Payment
2016 WRMP	\$ 123,846,950	FY 2036
Total	\$ 123,846,950	

Greenfield Service Area - WW SDF	Greenfield Service Area WW SDF Portion of Debt Service - Principal and Interest	Last Payment
2018 WRMP	\$ 39,835,000	FY 2031
Total	\$ 39,835,000	

DEVELOPMENT FEES EXPENDED ON EACH CAPITAL IMPROVEMENT PROJECT

Complete descriptions of each project, including all of the identified funding sources, are included in the Gilbert 2021-2030 Capital Improvement Plan or prior approved Capital Improvement Plans. Copies of the documents are available upon request and may also be found on the Gilbert website.

Police System Development Fees

Project	Project Description	Location	Amount
MF2230	Topaz Radio Project	Various	\$ 55,148
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 3,663
N/A	Vehicles and Equipment	Various	\$ 663,374
Total			\$ 722,185

Fire System Development Fees

Project	Project Description	Location	Amount
MF2230	Topaz Radio Project	Various	\$ 17,811
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 3,663
			\$ 21,474

General Government System Development Fees

Project	Project Description	Location	Amount
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 3,663
Total			\$ 3,663

Parks and Recreation System Development Fees

Project	Project Description	Location	Amount
PR0320	Rittenhouse Regional Park	Bordered by the East Maricopa Floodway, Power Road and the Union Pacific Rail/Rittenhouse alignment	\$ 427,359
PR0620	Powerline Trail Phase IV	Western Canal/Powerline Corridor from 1/2 mile east of Val Vista Road to Greenfield Road	\$ 163,187
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 3,663
Total			\$ 594,209

**Town of Gilbert
System Development Fee Annual Report**

FY 2020-21

Traffic Signal System Development Fees

Project	Project Description	Location	Amount
TS1310	Advanced Traffic Mgmt Phase III	Val Vista and Baseline Road to Warner Road	\$ 94,776
TS1450	Recker and Cooley Loop South	Same as project description	\$ 12,503
TS1470	Williams Field and Cooley Loop	Same as project description	\$ 12,832
TS1540	Val Vista and Ocotillo	Same as project description	\$ 371,591
TS1550	Val Vista and Chandler Heights	Same as project description	\$ 421,460
TS1700	Smart Signal Control System	Same as project description	\$ 5,645
TS1860	Val Vista and Appleby	Same as project description	\$ 364,480
TS1920	American Heros Way and Gilbert Rd	Same as project description	\$ 116,371
TS1943	Higley Rd and Bidges Blvd Signal	Same as project description	\$ 7,958
TS1944	Higley Rd and Morrison Ranch Signal	Same as project description	\$ 6,729
TS1945	Lindsay Rd and Layton Lakes Signal	Same as project description	\$ 3,384
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 3,663
		Total	\$ 1,421,392

Road Maintenance System Development Fees

Project	Project Description	Location	Amount
ST0990	Ocotillo Road - 148th St to	Same as description	\$ 42,000
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 3,663
		Total	\$ 45,663

Water System Development Fees

Project	Project Description	Location	Amount
WA0710	Direct Well System	North East Corner of Ray and Recker Roads	\$ 500,573
WA0810	Direct Well System	Location to be determined based on demand	\$ 57,017
WA1230	New and Repl Reservoir Power and QC	Power and Queen Creek Road	\$ 240,298
N/A	Water SDF Update Study	Not Applicable	\$ 2,568
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 2,016
		Total	\$ 802,472

**Town of Gilbert
System Development Fee Annual Report**

FY 2020-21

Water Resources System Development Fees

Project	Project Description	Location	Amount
WA0940	Water Rights Acquisition	Not Applicable	\$ 1,277,593
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 1,647
		Total	\$ 1,279,240

Neely Service Area – Wastewater System Development Fee

Project	Project Description	Location	Amount
WW0690	Relief Sewers	Orchid Lane from Ray Road to Lindsay Road and Mystic Drive/Lago Boulevard/Long Meadow from Gilbert Road to Hackamore and Val Vista Drive from Elliot to Olney	\$ 1,165,950
WW0700	Candlewood Lift Station and Force Main	Gilbert Rd and Hackamore	\$ 537,284
WW0890	Recl Water Rec Well at Elliott	Elliot District Park and Salt River Project power line easement	\$ 250,808
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 73
		Total	\$ 1,954,115

Greenfield Service Area – Wastewater System Development Fee

Project	Project Description	Location	Amount
WW0750	Greenfield Water Reclamation Plant - Phase III	Greenfield Road	\$ 1,155,703
WW0770	South Recharge Site - Phase III	South Recharge Facility	\$ 252,432
WW0780	Greenfield Reclaimed Water Pump Station Expansion	Greenfield Road	\$ 84,602
WW0940	Recharge Facility & 4 Recharge Wells	Various	\$ 7,865
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 3,589
		Total	\$ 1,504,191

DEVELOPMENT FEE FUND RECAPS

POLICE SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	1,926,760
REVENUES		
COLLECTIONS	\$	3,244,740
INTEREST INCOME	\$	41,541
EXPENSES		
DEBT SERVICE	\$	2,663,552
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	722,185
ENDING BALANCE	\$	1,827,304

FIRE SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(8,065,099)
REVENUES		
COLLECTIONS	\$	3,211,088
INTEREST INCOME	\$	0
EXPENSES		
DEBT SERVICE	\$	641,193
INTERNAL BORROWING	\$	84,207
PROJECT EXPENSES	\$	21,474
ENDING BALANCE	\$	(5,600,885)

GENERAL GOVERNMENT SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(5,216,281)
REVENUES		
COLLECTIONS	\$	4,140,341
INTEREST INCOME	\$	0
EXPENSES		
DEBT SERVICE	\$	2,327,938
INTERNAL BORROWING	\$	53,468
PROJECT EXPENSES	\$	3,663
ENDING BALANCE	\$	(3,461,009)

PARKS AND RECREATION SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	13,612,640
REVENUES		
COLLECTIONS	\$	17,750,206
SALE OF FIXED ASSET	\$	0
INTEREST INCOME	\$	283,548
EXPENSES		
DEBT SERVICE	\$	5,171,562
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	594,209
ENDING BALANCE	\$	25,880,623

TRAFFIC SIGNAL SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	12,372,244
REVENUES		
COLLECTIONS	\$	2,876,019
INTEREST INCOME	\$	177,670
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	0
LEGAL SETTLEMENT	\$	926,870
PROJECT EXPENSES	\$	1,421,392
ENDING BALANCE	\$	13,077,671

ROAD MAINTENANCE SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	1,486,377
REVENUES		
COLLECTIONS	\$	7,548,386
INTEREST INCOME	\$	65,397
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	45,663
ENDING BALANCE	\$	9,054,497

WATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	405,310
REVENUES		
COLLECTIONS	\$	8,936,917
INTEREST INCOME	\$	43,186
EXPENSES		
DEBT SERVICE	\$	9,821,913
INTERNAL BORROWING	\$	5,101
PROJECT EXPENSES	\$	802,472
ENDING BALANCE	\$	(1,244,073)

WATER RESOURCES SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(25,334,816)
REVENUES		
COLLECTIONS	\$	7,354,191
INTEREST INCOME	\$	0
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	276,487
PROJECT EXPENSES	\$	1,279,240
ENDING BALANCE	\$	(19,536,352)

NEELY SERVICE AREA - WASTEWATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	5,682,923
REVENUES		
COLLECTIONS	\$	43,605
INTEREST INCOME	\$	77,138
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	1,954,115
ENDING BALANCE	\$	3,849,551

GREENFIELD SERVICE AREA – WASTEWATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	18,193,603
REVENUES		
COLLECTIONS	\$	5,295,232
INTEREST INCOME	\$	295,886
EXPENSES		
DEBT SERVICE	\$	3,620,496
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	1,504,191
ENDING BALANCE	\$	18,660,034

ADDITIONAL RESOURCES

Gilbert FY2021-FY2030 Capital Improvement Plan – June 16, 2020

**Land Use Assumptions, Infrastructure Improvement Plan and
Development Fees – March 14, 2019**

The documents identified above are available on Gilbert's website at
www.gilbertaz.gov/departments/management-budget/system-development-fees and
<https://www.gilbertaz.gov/departments/management-budget/cip>.

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